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EX PARTE

August 18, 1998

Ms. Magalie Roman Salas
Secretary - Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

RE: CC Docket No. 97-181 - Defining Primary Lines
CC Docket No. 96-262 - Access Charge Reform

Dear Ms. Salas,

Today, a meeting was held between representatives of Sprint and staff members of the Competitive Pricing Division of the Common Carrier Bureau with regard to the above referenced dockets. Representing the FCC were Jay Atkinson, Aaron Goldschmidt, and Neil Freid. Representing Sprint were Jay Keithley, Dick Juhnke, Mark Askins, Jim Appleby, and Pete Sywenki.

The purpose of the meeting was to discuss the prospect of eliminating the distinction between primary and non-primary residential lines in assessing Subscriber line Charges and Primary Interexchange Carrier Charges. The attached materials were presented in the meeting.

The original and three copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(b)(1) of the Commission's rules. If there are any questions, please call.

Sincerely,

Pete Sywenki

Attachment

No. of Copies rec'd 023
List A B C D E

Primary Lines vs. Non-primary Lines

a distinction of secondary importance

August 18, 1998
CC docket 97-181



Primary/non-primary distinction

- the premise
- the practice
- the problems
- the proposal
- the process

the premise

- PICCs and SLCs contribute to the recovery of non-traffic sensitive loop costs
- if a subscriber can afford a second (non-primary) line, he/she can afford to pay a higher SLC and (indirectly) a higher PICC
- therefore: distinguish between primary and non-primary lines and charge different rates
- [however: long term LEC recovery of loop costs would recover the same amount of SLC and PICC revenue from both primary and non-primary residential customers]

the practice

- primary residential lines pay up to \$3.50 per month for the subscriber line charge (SLC)
- IXC's are charged up to \$.53 per month for each primary residential line
- non-primary residential lines pay up to \$5.00 per month for the SLC
- IXC's are charged up to \$1.50 per month for each non-primary residential line

the problems

- local service providers must now make a determination of primary status
 - no clear definition of “non-primary”
 - sets up providers to ask intrusive and potentially judgmental questions
 - sets up providers to disagree with subscribers
- creates unnecessary complexity, audits, and expense - but offers no increased value
 - IXC's must determine if the LEC's are charging the right level of non-primary lines

the problems

- distinction of primary/non-primary line gone by the time the PICC gets to the consumer
 - IXC's do not have billing data and therefore bill a weighted average PICC to their customers
- causes unnecessary LEC and IXC expenses
 - large billing system modifications for LECs
 - increased time on-line for service reps
 - verification procedures for IXCs

the problems

- difficult to explain to customers why charges for the second line are different than for the first line
- since many, if not most, second lines are used for internet access, this could deter usage
 - thus, a policy that makes second lines more expensive may be inconsistent with other policies

the proposal

- eliminate the distinction between primary and non-primary lines
 - recognize the practical impact on the customer
 - a line is a line is a line
 - same approach as was taken in USF Order (§ 95-96)
- apply a weighted average SLC/PICC rate to all residential lines
- maintain planned transition of NTS recovery from MOU to flat rate

the process

- calculate weighted average charge to be assessed on the customers and the IXC's
- assess that weighted average charge on all lines - primary and non-primary
- continue the movement of non-traffic sensitive cost recovery away from minute of use charges to flat rate charges

the process

- cost recovery option
 - revised residential SLC: set at current weighted average of primary and non-primary SLCs
 - revised residential PICC: set at current weighted average of primary and non-primary PICCs

the process

- long term financial impact on customers is zero
- short term financial impact on customers is negligible
- first year impact will be a monthly increase for primary lines of approximately \$.28
- monthly bill for non-primary lines will decrease

the process

- advantages
 - obviates need for bill verification by IXC's
 - removes need for (all types of) local service providers to ask intrusive questions and probe for enforcement purposes
 - does away with need for billing system changes
 - removes incentive for end users to “game” the system
 - preserves appropriate transition of minute-of-use rates to flat rate (CCLC to SLC & PICC)

Exhibit A

SLC - Rate Development

----- Initial Calculation -----

----- Each Year There After -----

	Access Lines	Current SLC Rate	Current SLC Revenue	Revised Rate	Revised SLC Revenue		SLC Rate
Primary	1,000,000	\$ 3.50	\$ 3,500,000	\$ 3.67	\$ 3,666,667		
Non-primary	<u>125,000</u>	\$ 5.00	<u>\$ 625,000</u>	\$ 3.67	<u>\$ 458,333</u>	All Residential	\$ 3.67
	1,125,000		\$ 4,125,000		\$ 4,125,000		
Weighted Average			<u>\$ 3.67</u>				

PICC - Rate Development

----- Initial Calculation -----

----- Each Year There After -----

	Access Lines	Current PICC Rate	Current PICC Revenue	Revised Rate	Revised PICC Revenue		PICC Rate
Primary	1,000,000	\$ 0.53	\$ 530,000	\$ 0.64	\$ 637,778		
Non-primary	<u>125,000</u>	\$ 1.50	<u>\$ 187,500</u>	\$ 0.64	<u>\$ 79,722</u>	All Residential	Increase by \$.75 plus inflation (See Note)
	1,125,000		\$ 717,500		\$ 717,500		
Reduction in SLC			<u>\$ -</u>				
Total PICC Revenue			\$ 717,500				
Wt. Ave. PICC/Line			\$ 0.64				

Objective: Weighted averages should be calculated to continue the planned transition of minute-of-use charges to flat rate charges.

Note: For Each Year There After, the PICC increase of \$.75 replaces the current cap increases of \$1.00 plus inflation for non-primary and \$.50 plus inflation for primary. The new yearly additions should still be subject to the total interstate loop cost (BFP) as described in Part 69.

**Average Common Line Revenue
Per-Line Based
Price Cap Companies**

	EUCL				PICC			
	Total Primary Res, SLB, Non-Prim Res & BRI ISDN Lines	BASE PERIOD DEMAND x PROPOSED RATES	Weighted Avg Res SLC Rate		Total Primary Res, SLB, Non-Prim Res & BRI ISDN Lines	BASE PERIOD DEMAND x PROPOSED RATES	Weighted Avg Res PICC Rate	
Ameritech	157,422,331	\$ 580,899,737	\$ 3.69		157,422,331	\$ 102,783,123	\$ 0.65	
Bell Atlantic	164,438,040	\$ 603,692,542	\$ 3.67		166,529,460	\$ 107,560,293	\$ 0.65	
Bell South	190,273,412	\$ 697,193,379	\$ 3.66		190,332,817	\$ 121,133,578	\$ 0.64	
Nynex	135,872,294	\$ 489,823,788	\$ 3.61		137,193,403	\$ 81,940,927	\$ 0.60	
PacTel	102,209,954	381,540,402	\$ 3.73		102,209,954	\$ 53,733,568	\$ 0.53	
Southwestern Bell	124,829,760	\$ 453,133,073	\$ 3.63		124,829,760	\$ 76,654,470	\$ 0.61	
US West	134,267,940	\$ 492,271,974	\$ 3.67		134,267,940	\$ 85,604,781	\$ 0.64	
Total RBOCs	1,009,313,731	\$ 3,698,554,893	\$ 3.66		1,012,785,665	\$ 629,410,739	\$ 0.62	
Sprint LTC	66,581,556	\$ 239,246,040	\$ 3.59		66,581,556	\$ 38,463,302	\$ 0.58	
GTE	154,532,976	\$ 555,120,411	\$ 3.59		157,532,724	\$ 92,712,073	\$ 0.59	
Cincinatti Bell	8,377,035	\$ 30,238,628	\$ 3.61		8,377,035	\$ 5,034,118	\$ 0.60	
Citizens	8,042,124	28,411,746	\$ 3.53		8,042,124	\$ 4,433,247	\$ 0.55	
Lincoln	2,322,702	\$ 8,312,633	\$ 3.58		2,322,702	\$ 1,349,486	\$ 0.58	
Rochester	8,310,864	29,520,459	\$ 3.55		8,310,864	\$ 4,684,399	\$ 0.56	
Southern New England	17,589,142	\$ 63,376,153	\$ 3.60		17,593,870	\$ 10,502,491	\$ 0.60	
Total Independents	265,756,399	\$ 954,226,069	\$ 3.59		268,760,875	\$ 157,179,118	\$ 0.58	
Total Price Cap LECS	1,275,070,130	\$ 4,652,780,962	\$ 3.65		1,281,546,540	\$ 786,589,857	\$ 0.61	

Interstate Loop Recovery After the Transition from MOU

LEC Charges

Primary Residential	Interstate Loop Cost \$6.00	SLC \$3.50
Non-Primary Residential	Interstate Loop Cost \$6.00	SLC \$6.00

End User Charged

SLC \$3.50
SLC \$6.00

Conclusion: Interexchange Carrier averaged PICC assesement will not result in all lines being assessed an equal share of the fixed costs.